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REPORT TO
THE MBTA ADVISORY BOARD

Mortgaging the MBTA

MBTA BUDGET PERFORMANCE
FISCAL YEAR 1995

submitted by the
MBTA Advisory Board Finance Committee

February 1996

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In June 1995, the Advisory Board Finance Committee reviewed MBTA budget performance for FY95 and recommended transfers among line items in order to close the books on the year. In its report to the board the Finance Committee underscored that it was unable to evaluate fully the MBTA's budget performance for the year since final financial statements were not yet available. The Committee promised a final report once those documents were produced. The T released closing financial statements in the Fall and, as promised, an evaluation of FY95 budget performance follows.

Introduction

In August of 1993 James Kerasiotes, Secretary of Transportation and MBTA Chairman, instructed T managers to craft a FY95 budget \$40 million less than that for FY94. In the Fall of 1994 the Board directed the development of a fiscal year 1996 budget which proposed further cuts in operating expenses coupled with promises to deliver the same quantity and quality of transit service. More recently, the Secretary and the Governor have stated that the MBTA management team has reduced the T's budget two consecutive years, resulting in a total savings of \$102 million.

The books are closed on the first year of MBTA downsizing and it is now possible to evaluate FY95 budget performance, documenting both savings and shifts between accounts. An understanding of what took place at the MBTA during FY95 provides a foundation for reviewing current year expenses and analyzing the T's soon-to-be-proposed FY97 budget.

MBTA Overview

The MBTA employs over 6,500 workers, delivers more than 70,000,000 annual revenue miles of service, and supports an ongoing program of expansion and upgrading of its facilities and rolling stock (valued at more than \$7 billion). The dollars to fund its services and development projects come from a combination of fares, state subsidies, community assessments, federal grants and MBTA bonds. In fiscal year 1995 the MBTA spent \$1.3 billion -- \$739 million on its operating budget and \$585 million on its capital budget. [See Appendix A.]

Budget Overview

In its simplest form the MBTA operating budget (Total Current Expense Budget) is comprised of two elements: operating costs and debt service. Table I shows actual expenses for these elements for fiscal years 1993 through 1995 as well as budgeted expenses for fiscal year 1996.

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Table I: MBTA Current Expenditures FY94 - FY96
(in \$ millions)

	FY93 Actual	FY94 Actual	FY95 Actual	FY96 Budgeted
Operating Expenses	\$553.3	\$578.5	\$516.1	\$476.9
Debt Service	\$200.3	\$207.0	\$223.3	\$276.4
Total Current Expenses	\$753.6	\$785.5	\$739.4	\$753.2

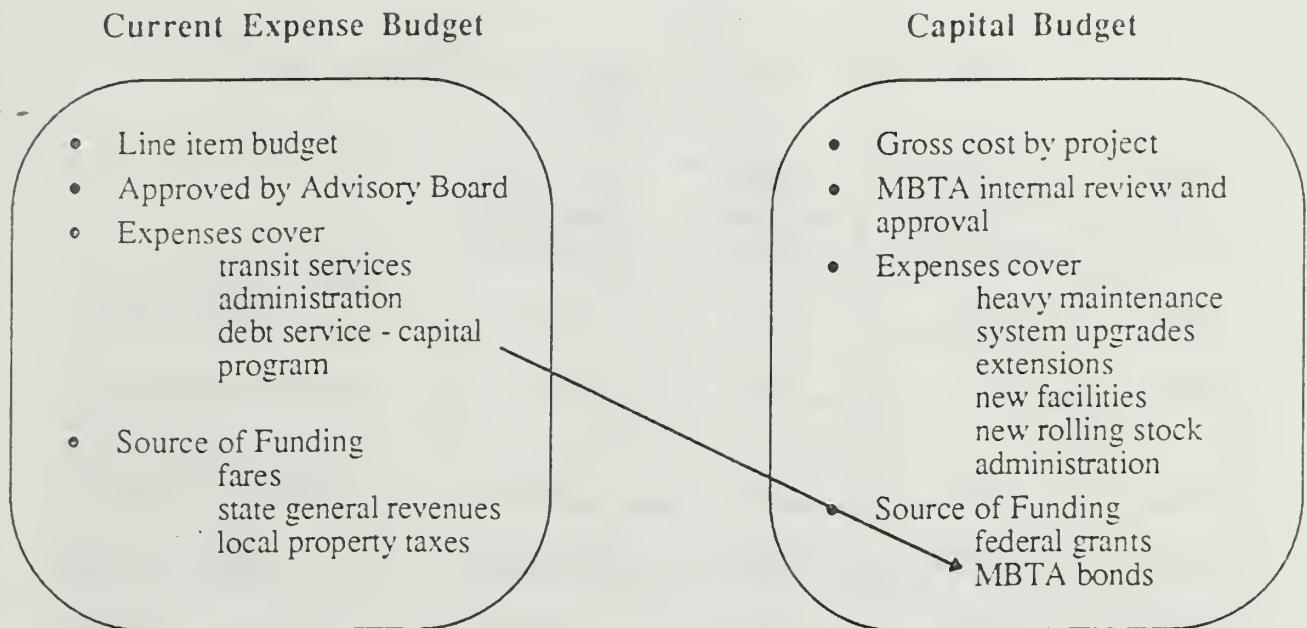
FY95 Total Current Expenses closed \$46.1 million below expenses for FY94 while FY96 expenses are budgeted at \$13.8 million above those recorded for FY95. The net reduction in spending for the two year period (assuming the T completes its current year within the approved bottom line) is \$32.3 million. Such a reduction, if real, is a significant accomplishment although it is not of the \$100 million magnitude claimed by Secretary Kerasiotes and boasted of by Governor Weld in his volume, A New State Government for Massachusetts.

The \$46.1 million of apparent savings recorded in FY95 is the first decrease in the bottom line of the MBTA's annual operating budget since 1981. In 1981 the trade off for a lowered budget was a 10% reduction in service miles. How did MBTA managers produce significant savings in FY95 while increasing service miles by 5% and achieving equal or better grades on all major service performance indicators? The answer is that a significant portion of the savings on the operating budget for FY95 does not represent net savings to the taxpayer, but rather reflects a change in how certain costs are financed. In fact, when all sources of spending are reviewed, expenses have actually increased 27%.

Two Budgets and Two Ledgers

The MBTA categorizes expenses as operating or capital depending on the value and useful life of the product acquired or the service performed. In general, MBTA transit services -- whether provided by T employees or contracted to private companies -- are charged against the operating budget. State taxes (State Contract Assistance), local property taxes (community assessments), and fares fund these services. On the other hand, upgrade of facilities -- regardless whether done by contractor or T employees -- expansion of service or purchase of new vehicles are usually charged against the capital budget. Federal grants and T bonds provide the dollars to pay capital expenses, however, principal and interest payments on those MBTA bonds are paid over the life of the bonds from the operating budget.

MBTA operating expenses receive prospective public scrutiny in a line item budget format. M.G.L. c. 161A requires that the MBTA's Current Expense Budget be reviewed and approved each year by the Advisory Board. The T's capital budget does not receive such prospective line item scrutiny nor is it subject to a public approval process.



The MBTA provides capital budget information in conjunction with the annual review of its operating budget in order to support its request for debt service, but that information, published as the "Five Year Capital Program," is in a gross cost-by-project format. The only way to pinpoint how much of MBTA labor, materials, and services each year is supported by the capital budget is to review actual expenditures on both the capital and operating expense ledgers.

Within both the capital and operating budgets, costs can be grouped into four essential functions: labor costs, other operations, contracted transit services, and debt service. Reviewing these four functions -- first on the operating side and then on the capital side -- highlights the interplay in FY95 between the capital and operating ledgers and reveals how a significantly reduced operating budget "funded" enhanced service.

Operating Ledger Overview

Labor costs -- wages, fringe benefits and payroll taxes -- account for roughly 65% of expenses (exclusive of debt service); commuter rail and other contracted transit services such as The RIDE, commuter boat and the suburban bus program account for 15%; while materials, vendor

contracts, supplies and tort settlements and awards -- identified below as Other Operations -- account for 20%. As Table II illustrates, the cost of contracted transit services held steady between FY94 and FY95. Labor expenses decreased significantly (\$48.6 million) as did Other Operations (\$13 million). These apparent "savings" were offset, in part, by a \$16 million increase in debt service. [See Appendix B for a full line item comparison.]

Table II: MBTA Operating Expenses FY94 - FY95
(in millions \$)

	FY94 Operating Expense	FY95 Operating Expense	Variance FY94-95 Expenses	Percent Variance FY94-95
Wages, fringes & payroll taxes	\$393.6	\$344.9	- \$48.6	- 12.4%
Other Operations	\$105.8	\$92.8	- \$13.0	- 12.3%
CR, LSS, etc. (transit contracts)	\$79.2	\$78.3	- \$0.8	- 1.0%
Debt Service	\$207.0	\$223.3	+ \$16.3	+ 7.9%
Total	\$785.6	\$739.4	- \$46.7	- 5.9%

Capital Ledger Overview

In contrast to the picture on the operating ledger, labor costs on the capital side have accounted for 10% to 25% of expenses in recent years with contracts for construction projects and rolling stock accounting for most of the remainder. As shown on Table III, labor costs rose 57.8% or \$26.2 million and Other Operations which includes major contracts shot up 142% or \$301.4 million. In recent years federal grants have funded approximately 40% of capital costs while the remaining 60% has been financed by T issued bonds. Current policy caps T bond spending at \$1.5 billion for the budget's five year horizon, for an average of \$300 million/year. The annual debt service on MBTA bonds (usually 30 year bonds) is classified as an operating expense and appears on the T's Current Expense Budget as Fixed Charges, thus linking the two ledgers.

Table III: MBTA Capital Expenses FY94-FY95
(in \$ millions)

	FY94 Capital	FY95 Capital	Variance FY94-FY95	Percent Variance
Wages, fringes & payroll taxes	\$45.3	\$71.5	+ \$26.2	+ 57.8%
Other Operations (includes project contracts)	\$211.9	\$513.3	+ \$301.4	+ 142.2%
CR, LSS, etc. (transit contracts)	\$0	\$0	\$0	0%
Debt Service	\$0	\$0	\$0	0%
Total	\$257.2	\$584.9	+ \$327.6	127.4%

Combined Spending

The picture revealed by examining both operating and capital ledgers together differs significantly from the picture outlined when just one is reviewed. As Table IV indicates, combined capital and operating spending at the MBTA increased by more than \$280 million between FY94 and FY95. Labor costs decreased 5.0% (rather than 12% as seen from the operating budget alone) and Other Operating costs which include all competitively bid contracts for capital projects increased by more than 90% (as opposed to a 12% decrease). The remaining two categories follow closely the picture disclosed by the operating budget.

Table IV: MBTA Capital and Operating Expense Variances FY94-FY95
(in \$ millions)

	FY94-95 Capital Variance	FY94-95 Operating Variance	FY94-95 Total Variance	FY94-95 Percent Variance
Wages, fringes & payroll taxes	+ \$26.2	- \$48.6	- \$22.4	- 5.1%
Other Operations (includes project contracts)	+ \$301.4	- \$13.0	+ \$288.4	+ 90.8%
CR & LSS (transit contracts)	\$0.0	- \$0.8	- \$0.8	- 1%
Debt Service	\$0.0	+ \$16.3	+ \$16.3	+ 7.9%
Total	+ \$327.6	- \$46.1	+ \$281.5	+ 27.0%

Shifting Costs: Wages, fringes & payroll taxes

In order to isolate costs shifted from one ledger to another, it is important to understand each component of operating spending.

Back pay

In January 1994 arbitrator James Bloodsworth awarded Local 589 of the Carmen's Union a wage settlement covering the period April 1991 through March 1994. Between the date of that award and the closing of FY94, the MBTA expensed \$10.1 million -- \$8.6 million in backpay and \$1.5 million in FICA and pension contributions -- for fiscal years 1992 and 1993. Thus wage and fringe benefit expense for 1994 included significant expense attributable to prior years. When reviewing FY95 performance and calculating "savings" from previous year expenses, it is necessary to deduct pre FY94 expenses from the FY94 base for a meaningful year to year comparison. Deducting \$9.0 million (the operating share of the \$10.1 million) from the FY94 base on the operating ledger reduces apparent "savings" in FY95 labor related costs from \$48.6 million to \$39.6 million.

Manpower reductions and fringe benefit savings

A ten percent reduction in labor costs (\$39.6 million) on the operating ledger suggests a significant reduction in manpower and perhaps a reduction in per employee fringe benefit expense. MBTA statistics, however, indicate the average number of full-time equivalents (FTEs) dropped just 124 out of 6,558 between FY94 and FY95. [See Appendix C.] This translates to a 1.9% reduction in manpower or an estimated \$8.1 million decrease in wage and benefit costs. In addition, a new 15% contribution from employees toward health insurance costs, a negotiated reduction in management's contribution toward pensions and efficiency gains in benefit programs such as Workers' Comp and health insurance reduced per employee fringe benefit costs by an average of 4.7% in FY95 for a savings of \$5.4 million to the operating budget. A modest increase in the average employee salary diminished the impact of the savings by increasing costs by \$1.8 million.

Summary
\$48.6 M Decrease in Labor Costs
Operating Ledger

Backpay & Fringes FY92-3: -\$9.0 M
124 drop in FTEs: - \$8.1 M
Decline in benefits cost: - \$5.4 M
Increase in avg. salary: + \$1.8 M
Net Decrease: - \$20.7 M
Unexplained: - \$27.9 M

Over \$27 million in labor savings on the operating ledger remain to be explained after recording manpower reductions, lowered per-employee fringe benefit costs, increases in average salary and backpay from the 1994 Bloodsworth arbitration award. A review of the capital ledger sheds light on the mystery. The remaining "savings" represents not a reduction in expense, but a shift of the wage and fringe benefit costs of more than 411 FTEs from the operating to the capital budget in FY95.

Changing Operating and Capital Headcounts

In FY94 the MBTA employed and paid an average of 6,558 FTEs -- 5,874 supported by the operating budget and 684 supported by capital dollars. Of the 684 funded by the capital budget, 397 FTEs worked on capital projects and are considered direct costs. The remaining 287 capital FTEs represent a percentage of various departments such as Budget, Human Resources, Treasurer's, etc. whose daily work support both operating and capital activities and are considered indirect capital costs. In FY95 while the FTEs paid from the operating budget declined, the FTEs supported by the capital budget increased dramatically. Table V details the shift of personnel between the capital and operating ledgers.

Table V: MBTA Actual Employees in FTEs
FY94 - FY95

	FY94	FY95	Increase/ Decrease
Operating FTEs (est.)	5874	5339	- 535
Capital FTEs (est.)	684	1095	+ 411
<i>Direct</i>	397	727	+330
<i>Indirect</i>	287	368	+81
Total FTEs	6558	6434	- 124

MBTA managers anticipated a significant increase in the number of active capital projects in FY95 and budgeted an increase in the number of personnel charged to such projects. In May of 1994 the T Budget Office provided FY95 budgeted manpower figures projecting 6,344 FTEs -- 5,529 on the operating budget and 815 on the capital side. Of the 815 capital FTEs, 431 were to be directly charged to capital projects and 384 represented an increase in the percentage of indirect support coming from administrative departments. As Table V indicates, when the books were closed, what actually happened in FY95 differed from original plans. First, the Authority carried 90 more FTEs than planned (6434 rather than 6344). These were charged to capital. Second, in addition the T shifted 190 FTEs more than originally planned to capital (shifted 321 rather than 131). Interestingly, MBTA monthly headcount reports for FY95 reveal no increase in personnel in those departments traditionally responsible for overseeing capital projects (Construction, Vehicle Procurement, and Planning).

The Authority was unable to provide us with reports indicating how many employees were directly charged to the capital ledger in FY95. We estimated the number of capital employees by calculating an average salary for the MBTA as a whole and applying that to operating and capital wages reported on monthly financial statements. [Capital wages must be adjusted to account for indirect wages which also include fringe benefit costs. See Appendix D.]

The estimated decrease of 535.6 FTEs from the operating payroll in FY95 is explained as follows:

* FY94 Actuals are from MBTA headcount reports; in the absence of FY95 MBTA actual FTE counts by capital and operating, FY95 FTEs were estimated by applying average wages to capital and operating wage expense.

Summary	
Decrease in FY95 Operating FTEs	
Total Operating Decrease: - 535 FTEs	
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Positions eliminated: - 124 FTEs	
Budgeted shift to capital: - 131 FTEs	
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Unbudgeted shift to capital: - 280 FTEs	

In summary, of the 535 employees eliminated from the operating budget in FY95, 23% left MBTA employment and 77% were paid from the capital budget.

In FY94 10.3 % of MBTA wages and fringe benefits were charged to the capital ledger; in FY95 17.2% were charged to the capital ledger. While some of the increase in the indirect labor charged to the capital side was anticipated based on the number and size of active capital projects in FY95, the total number of FTEs charged to capital far surpasses any estimates shared with the Finance Committee.⁹ In fact a review of MBTA manpower figures indicates that prior to FY95 the highest ratio of capital FTEs to total FTEs during the last 20 years at the Authority was 11% compared to the 17% in FY95. Those 20 years included major capital projects such as Red Line extensions, the development of the Southwest Corridor, new Green Line cars and virtual total replacement of the commuter rail fleet.

⁹ The budgeted shift of 131 FTEs included bus FTEs providing Blue Line shadow service and E&M FTEs doing track maintenance.

Summary: Operating Ledger
\$48.6 M Decrease in Labor Costs
(in millions \$)

Backpay & Fringes FY92-3:	-\$9.0 M
124 drop in FTEs:	-\$8.1 M
Decline in benefits cost:	-\$5.4 M
Increase in avg. salary:	+\$1.8 M
Shift of 411 FTEs to Capital Ledger:	-\$26.6 M

*Net Decrease Explained: - \$47.3 M

* \$1.3 M remains unexplained by MBTA financial reports

Table VI summarizes the impact on both the capital and operating ledgers of the various changes, savings and shifts between ledgers detailed above.

Table VI: Changes in MBTA Labor Costs* FY94 - FY95
(in millions \$)

	Capital Ledger	Operating Ledger	Total Authority
Backpay & Benefits	(\$1.1)	(\$9.0)	(\$10.1)
Decrease in FTEs		(\$8.1)	(\$8.1)
Decrease in Benefits Costs	(\$1.1)	(\$5.4)	(\$6.5)
Increase in Avg. Salary	\$0.4	\$1.8	\$2.2
Increase/decrease in FTEs	\$26.6	(\$26.6)	\$0.0
 Total	 \$24.8	 (\$47.3)	 (\$22.5)

* While the totals for the Authority as a whole account for the full decrease in labor costs, the methodology employed to allocate gains and losses to capital and operating approximates the specific increases and decreases realized on the capital and operating books.

The Cost of Capitalizing

Capitalizing costs is a standard technique used to purchase a home or buy a new car. It is a method of spreading the cost of a major purchase over the useful life of that purchase. **It is not a way to save money.**

Institutions differ on guidelines they use to make decisions on capitalizing expenses. For example, some municipalities regularly purchase police vehicles from their operating budget, while others use capital funds. What in-house maintenance services might legitimately be capitalized is a judgment call. What proportion of support services might be charged to capital is also a matter of judgment and available financing. Regardless of guidelines used by an agency, what is clear is whenever bonding or other long term debt instruments are used to supply capital dollars, each decision to capitalize triggers a long term liability and interest charges. Only a small portion of the "cost" of such capitalizing is apparent on the current year's books.

The shift of 411 FTEs to the MBTA's capital budget necessitated borrowing \$26.6 million in FY95 and will cost Massachusetts taxpayers an estimated \$27.3 million in interest payments over 30 years in addition to repayment of the \$26.6 million that was borrowed. **The FY95 expense for that \$26.6 million worth of labor was approximately \$1.8 million in interest and principal payments (debt service charges).** There remains an yet-to-be-budgeted obligation of \$52.1 million to be paid over the next 29 years. It is both incorrect and foolish to believe that the MBTA saved \$24.8 million (\$26.6 million minus \$1.8 million) by capitalizing 411 FTEs who had previously been paid from the operating budget. In fact, it can be argued that the MBTA realized no labor savings for FY95. By capitalizing so many FTEs, the Authority deferred the payment of the bill for FY95 labor costs and incurred a \$27.3 million liability for interest charges which more than offset the savings from elimination of 124 FTEs and the lowered cost of benefits. If the T had stopped operation on July 1, 1995, it would still have been liable for that \$26.6 million as well as the applicable interest. In addition, each year those 411 FTEs are kept on the capital payroll the MBTA incurs an additional \$26.6 million liability as well as additional interest charges payable by future generations of taxpayers.

Summary: The cost of Labor Savings	
124 drop in FTEs:	- \$8.1M
Decline in benefits cost:	- \$5.4M
Increase in avg. salary:	+ \$1.8M
Shift of 411 FTEs to Capital Ledger:	- \$26.6M
Long term liability to bond \$26.6 M:	+ \$53.9M
Net Savings:	\$0.0M
(to be paid over 29 years) Net Cost:	+ \$15.6M

Other operations

Table VII below outlines the basic components of Other Operations and their costs for fiscal years 1994 and 1995.

Table VII: MBTA Other Operations FY94-FY95
(in millions \$)

	FY94 Operating	FY94 Capital	FY95 Operating	FY95 Capital
Materials, Supplies, Services	\$87.1	\$200.3	\$76.2	\$503.5
Casualty and Liability	\$15.0	\$11.2	\$13.2	\$9.3
Taxes	\$1.6	\$0.0	\$1.7	\$0.0
Financial Service Charges	\$1.7	\$0.3	\$1.8	\$0.5
Total	\$105.4	\$211.8	\$92.9	\$513.3

materials, services and supplies

The number and size of MBTA capital projects increased dramatically in FY95 following several years of limited activity. This accounts for much of the increase in capital expense on the materials and services line. In order to understand what, if any, shifting of traditional operating costs to the capital ledger also occurred, we requested detail by department for "Company 2," the capital ledger. After initially being told we would receive such detail, we were informed that it was not available. Therefore we have pieced together the scenario shown in Table VIII from cumbersome

monthly financial reports [Multi Company Expenditure Ledgers and Transactions by Object Reports]. We believe it reflects an accurate picture of MBTA capital and operating expenses during FY95.

Table VIII: MBTA Materials, Supplies, Services, etc. Expenses
FY94-FY95 Capital and Operating
(in millions \$)

	FY94 Operating	FY94 Capital	FY95 Operating	FY95 Capital
Fuel	\$5.8	\$0.0	\$5.4	\$0.0
Materials	\$10.7	\$2.0	\$11.5	\$14.3
Remanufactured components			(\$2.6)	
Supplies & Equipment	\$14.9	\$33.4	\$14.9	\$216.4
Unexplained Credit to Supplies			(\$3.7)	
Construction contracts & Engineering services	\$1.9	\$150.9	\$0.8	\$265.2
Other Services	\$21.8	\$13.5	\$16.2	\$9.5
Utilities/Power	\$22.6	\$0.0	\$20.5	\$0.0
Cleaning Contracts	\$6.9	\$0.0	\$7.8	\$0.0
Other	\$2.5	\$0.5	\$5.5	\$0.3
Total	\$87.1	\$200.3	\$76.2	\$505.7

The \$10.9 million in apparent savings between FY94 and FY95 in the Materials, Supplies, Services, etc. account on the operating ledger can be sorted into three categories. First, decreases in prices and efficiencies account for \$4.5 million in savings: in fuel and utility expense - \$2.6 million; use of temporary help - \$1.1 million; and materials obsolescence expense - \$0.8 million. These are to be applauded. Second, one time credits which change the timing of certain expenses offset operating expenses by \$6.3 million. These are paper changes in how expenses are recorded and financed and do not translate into savings for the taxpayer. In one instance, components which were remanufactured by T craftsmen with their labor and materials charged to the operating

budget are now being reclassified as assets. A credit of \$2.6 million for the value of the parts is given to the operating budget and that budget will be charged for the parts as they are used. This is a legitimate accounting change, but only a one time paper savings. The expense will now be recorded over an extended time period. In the second instance, an undetailed credit (\$3.7 million) was recorded in a general supplies account. This large credit is the only credit or debit of significance in the expenditure ledger of the closing month of FY95 which carries no descriptive label. [See Appendix E]. Offsetting this credit was a debit to an Unvouched Payable Account. Inquiries to the T about this mysterious credit have produced only vague and incomplete responses. It appears that significant general reserves were built up in FY94 and certain FY95 "savings" were in fact draw downs on these reserves.

The third group (apparent savings of \$2.8 million) raises additional questions. An equipment account for computer parts realized a combined operating and capital decrease of \$0.2 million. However, operating expenses decreased by \$0.7 million while capital expenses rose by \$0.5 million. Likewise, while the combined capital and operating Maintenance of Property accounts fell by \$0.9 million, operating fell \$1.8 million yet capital rose \$0.9 million. This pattern in a number of accounts raises questions about the MBTA's consistency in charging expenses to capital or operating. Even when shifts are justified according to accounting principles, they do not translate into savings.

In summary, of the apparent \$10.9 million net savings from materials and services, \$7.1 million is readily confirmed: \$4.5 million represents efficiency gains, \$2.6 million represents a one time paper savings. Other "savings" represent unanswered questions.

Casualty and liability

In both fiscal years 1994 and 1995 the operating budget supported 57% to 58% of expenses from awards and settlements for accidents for which the T incurred liability. Combined capital and operating expense in this area declined \$1.7 million in FY95. To date there is no evidence to indicate anything other than improved management accounts for the decline.

Summary	
Other Operations Savings	
Materials, Supplies, Services, etc.	\$7.1M
Casualty and Liability	\$1.7M
Net Savings:	\$8.8M

Summary

While the MBTA Board of Directors has boasted long and loud about savings of more than \$100 million dollars, an analysis of actual expenses for the first year of MBTA cutbacks reveals a different picture. On the positive side, the MBTA did decrease its labor force by 124 FTEs and reduce its per employee benefits costs. For these successes T management should be congratulated. On the negative side, apparent net savings of \$48.6 million in labor costs evaporate when the cost of capitalizing 411 FTEs -- previously paid from the operating budget -- is accounted for. Savings from Other Operations totaled \$8.8 million. Though this is not the \$13 million which appears on the operating ledger at first glance, it is real and deserves credit. On the other hand, the full extent of shifts to the capital ledger in materials and supplies accounts is not known and its cost in interest charges cannot be calculated.

In total the MBTA made modest gains in productivity and efficiency during FY95 but at the same time began a questionable practice of shifting expenses from the operating to the capital books. In some cases the shifts may have been justified, but in no case did the shift save money. In fact, our children will be paying for the T's "FY95 savings" for the next 29 years.

FY94-95 Co 1&2&Cons summary
Revised Dec 5, 1995

COMPARISON OF CAPITAL AND OPERATING EXPENSES FY94 AND FY95

Company 1 Operating Expenses	FY94 Actual	FY95 Actual	Variance	% Change
Wages, Fringes & Payroll Taxes	393,574,809	344,942,492	-48,632,317	-12.4%
Other Operating	105,813,436	92,804,200	-13,009,236	-12.3%
CR & LSS Subsidy	79,160,816	78,334,514	-826,302	-1.0%
Debt Service	207,022,468	223,341,252	16,318,784	7.9%
Total	785,571,529	739,422,458	-46,149,071	-5.9%
Company 2 Capital Expenses	FY94 Actual	FY95 Actual	Variance	% Change
Wages, Fringes & Payroll Taxes	45,327,428	71,533,512	26,206,084	57.8%
Other Operating	211,914,732	513,339,230	301,424,498	142.2%
CR & LSS Subsidy	0	2,352	2,352	NA
Debt Service	0	0	0	0.0%
Total	257,242,160	584,875,094	327,632,934	127.4%
Companies 1 and 2	FY94 Actual	FY95 Actual	Variance	% Change
Wages, Fringes & Payroll Taxes	438,902,237	416,476,004	-22,426,233	-5.1%
Other Operating	317,728,168	606,143,430	288,415,262	90.8%
CR & LSS Subsidy	79,160,816	78,336,866	-823,950	-1.0%
Debt Service	207,022,468	223,341,252	16,318,784	7.9%
Total	1,042,813,689	1,324,297,552	281,483,863	27.0%

Appendix I

FY91-FY95NCOS Anal
2-Feb-96

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

NET COST OF SERVICE ANALYSIS

FY 91- FY 95

	FY 91 Actuals	FY 92 Actuals	FY 93 Actuals	FY 94 Actuals DBS Format	FY 95 Actuals DBS Format	Variance FY95 to FY94
INCOME:						
Fare Revenue	\$123,427,965	\$130,691,258	\$136,143,238	\$141,738,427	\$145,034,261	\$3,295,834
Revenue Other Operations	\$11,998,201	\$10,791,007	\$10,600,764	\$14,432,240	\$15,534,946	\$1,102,706
Non-Operating Revenue	\$5,359,203	\$4,850,255	\$4,683,487	\$5,728,851	\$6,200,303	\$471,452
Total Income	\$140,785,369	\$146,332,520	\$151,427,489	\$161,899,518	\$166,769,510	\$4,869,992
EXPENSES:						
Wages	\$246,348,057	\$248,014,590	\$243,920,249	\$267,614,832	\$238,107,551	(\$29,507,281)
FRINGE BENEFITS:						
Pensions	\$38,791,400	\$39,155,254	\$38,113,710	\$36,645,691	\$31,572,677	(\$5,073,014)
Healthcare Insurance	\$47,056,592	\$54,830,217	\$58,715,783	\$56,023,738	\$44,730,805	(\$11,292,933)
Group Life Insurance	\$1,331,481	\$1,600,000	\$1,446,133	\$926,624	\$1,024,041	\$97,417
Accident & Sickness Insurance	\$585,946	\$659,321	\$646,375	\$512,566	\$499,264	(\$13,302)
Workers Compensation	\$12,142,561	\$13,307,052	\$14,512,380	\$12,958,363	\$9,034,825	(\$3,923,538)
Capital Credit	(\$26,223,585)	(\$26,423,080)	(\$20,248,522)	(\$3,137,210)	\$170,750	\$3,607,960
Total Fringe Benefits	\$73,684,395	\$83,128,764	\$93,185,859	\$103,629,772	\$87,032,362	(\$16,597,410)
PAYROLL TAXES:						
FICA Employer	\$21,290,086	\$21,200,882	\$21,272,059	\$21,434,995	\$18,949,735	(\$2,485,260)
Unemployment Insurance	\$634,030	\$856,427	\$956,295	\$895,208	\$852,844	(\$42,364)
Total Payroll Taxes	\$21,924,116	\$22,057,309	\$22,228,354	\$22,330,203	\$19,802,579	(\$2,527,624)
OPERATING EXPENSES:						
Materials, Supplies, Services	\$89,659,301	\$89,626,290	\$96,068,062	\$87,464,306	\$76,177,202	(\$11,287,104)
Casualty & Liability	\$11,999,269	\$12,748,991	\$12,000,000	\$14,998,780	\$13,191,440	(\$1,807,340)
Commuter Rail Subsidy	\$59,817,795	\$58,376,872	\$64,141,728	\$63,175,474	\$61,188,410	(\$1,987,064)
Local Service Subsidy	\$14,027,639	\$14,442,698	\$15,520,538	\$15,985,342	\$17,146,104	\$1,160,762
Taxes	\$1,595,244	\$1,845,691	\$1,855,718	\$1,628,991	\$1,663,757	\$34,766
Financial Service Charges	\$1,195,453	\$2,133,274	\$1,683,995	\$1,721,358	\$1,771,801	\$50,443
Total Operating Expenses	\$178,294,701	\$179,173,816	\$191,270,041	\$184,974,251	\$171,138,714	(\$13,835,537)
Total Wages, Fringe & Oper E	\$520,251,269	\$532,374,479	\$550,604,503	\$578,549,058	\$516,081,206	(\$62,467,852)
DEBT SERVICE - INTEREST EXPENSE:						
Interest on Unfunded Debt	\$20,517,359	\$18,283,382	\$12,990,800	\$11,854,911	\$14,164,169	\$2,309,258
Interest on Funded Debt MTA	\$4,187,837	\$4,146,204	\$3,712,491	\$3,069,561	\$3,249,212	\$179,651
Interest on Funded Debt MBTA	\$100,056,318	\$114,871,354	\$114,639,175	\$114,260,602	\$122,572,970	\$8,312,368
Total Interest Expense	\$124,761,514	\$137,300,940	\$131,342,466	\$129,185,074	\$139,986,351	\$10,801,277
DEBT SERVICE - PRINCIPAL PAYMENTS:						
Principal Funded Debt - MTA	\$3,474,259	\$2,610,259	\$5,675,259	\$4,876,259	\$2,292,000	(\$2,584,259)
Principal Funded Debt - MBTA	\$39,980,758	\$63,444,690	\$63,267,603	\$72,961,135	\$81,062,901	\$8,101,766
Total Principal Payments	\$43,455,017	\$66,054,949	\$68,942,862	\$77,837,394	\$83,354,901	\$5,517,507
Total Debt Service	\$168,216,531	\$203,355,889	\$200,285,328	\$207,022,468	\$223,341,252	\$16,318,784
Total Current Expenses	\$688,467,800	\$735,730,368	\$750,889,831	\$785,571,526	\$739,422,458	(\$46,149,068)
Cost of Service Excess of Inc	\$517,682,431	\$589,397,848	\$599,462,342	\$623,672,008	\$572,652,948	(\$51,019,060)
CONTRACT ASSISTANCE:						
Contract Assistance MTA Dcbt	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$0
Contract Assistance MBTA Det	\$121,101,971	\$144,393,302	\$161,782,978	\$165,451,876	\$189,501,125	\$24,049,249
Contract Assistance Commuter	\$12,733,189	\$13,000,246	\$13,267,500	\$13,267,500	\$13,274,650	\$7,150
Federal Operating Assistance	\$18,110,310	\$18,141,994	\$17,643,018	\$17,229,943	\$15,216,023	(\$2,013,920)
Total Contract Assistance	\$154,945,470	\$178,535,542	\$195,693,496	\$198,949,319	\$220,991,798	\$22,042,179
NET COST OF SERVICE	\$392,736,961	\$410,862,306	\$403,768,846	\$424,722,689	\$351,661,150	(\$73,061,539)

Appendix G

MBTA Manpower in FTEs

	FTEs 1-Jul-93	FTEs 1-Dec-93	FTEs 1-Jul-94
Audit	11.00	12.00	12.00
Budget	10.00	15.00	14.00
CAT			3.00
CR	38.60	37.80	40.75
Construction	305.00	306.00	296.00
GM-BOD	13.00	10.00	10.00
Human Res	65.50	72.00	65.00
ISS	61.50	63.25	55.25
Law	51.00	51.00	52.00
Marketing	36.50	36.75	39.50
Org Diversity	17.00	17.00	15.00
Planning	16.00	23.00	25.00
Police	187.00	194.00	213.00
Prvt Carrier		2.00	
Pub Affairs	17.00	14.00	10.00
Purchas	119.50	118.00	116.00
Real Estate	26.80	10.00	24.00
Safety	23.00	23.00	19.00
TC	149.00	55.00	52.00
Vehicle Procur		21.00	20.00
Sub-Total	1147.40	1080.80	1081.50
OTA		15.00	15.00
PI & Sched		37.00	33.00
E&M		1011.00	955.00
Bus *		2260.00	2283.50
Revenue *		523.00	477.50
Subway *		1687.00	1617.75
Sub tot Operations	5,450.00	5,533.00	5,381.75
Total	6,597.40	6,613.80	6,463.25
Average of 3 FTE counts		6,558.15	
Oper wages (no OT)		244,522.516	
less '94 backpay		37,285	
C-1 & C-2 wages		290,208.273	
less '94 backpay			
Avg wages		44.252	

HEADCOUNT BY DEPARTMENT
Budget vs. Actual Paid Bodies by Month

FY95

DEPARTMENT	Op.	BUDGET Cap.	Total	ACTUAL (Total)												YTD Avg.
				Jul	Aug	Sep ^t	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Transport	12	0	12	12	12	12	12	12	12	12	12	12	12	12	12	12
Transit	14	0	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Transit	2,270	106	2,376	2,323	2,365	2,300	2,405	2,402	2,390	2,369	2,367	2,333	2,350	2,356	2,352	2,358
Transit	0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Transit	35	0	35	41	37	38	38	36	36	36	35	35	35	35	34	36
Transit	49	228	277	296	288	280	280	282	284	276	279	279	279	275	282	282
Transit	886	81	967	940	867	989	985	985	981	957	939	831	928	918	957	957
Transit	17	0	17	16	16	16	16	16	16	16	16	16	16	15	15	16
Transit	72	0	72	65	68	60	55	55	62	58	61	58	57	57	57	57
Transit	55	3	58	60	54	54	51	49	53	52	51	49	48	48	47	50
Transit	51	0	51	52	51	49	49	49	49	49	49	49	48	48	47	47
Transit	47	0	47	41	41	41	41	41	41	41	41	41	41	41	41	41
Transit	17	0	17	15	16	16	16	16	16	16	16	16	16	16	16	16
Transit	17	0	17	15	13	14	12	12	12	13	11	13	13	13	13	13
Transit	25	0	25	28	28	27	26	27	25	23	24	25	25	25	25	26
Transit	37	0	37	33	34	33	34	34	34	34	33	33	33	33	33	33
Transit	217	0	217	213	208	207	209	208	207	209	203	198	199	198	199	208
Transit	3	0	3	3	2	2	2	2	2	2	1	1	2	1	1	1
Transit	10	0	10	10	10	10	10	11	11	11	10	10	10	10	10	10
Transit	117	4	121	116	117	114	119	120	124	118	120	122	121	120	119	119
Purchasing	24	0	24	22	22	20	19	19	19	19	19	21	23	25	25	21
New Estate	485	4	489	482	477	478	480	483	481	485	474	471	472	471	478	478
Revenue	21	0	21	19	21	20	19	20	19	19	19	19	19	18	20	20
Safety	1,609	11	1,620	1,712	1,695	1,649	1,669	1,680	1,675	1,652	1,652	1,640	1,647	1,657	1,659	1,666
Subway	52	0	52	50	49	48	50	48	48	48	47	47	48	49	49	49
IC	0	20	20	20	19	19	19	19	19	19	21	21	21	21	21	20
Total	6,142	466	6,602	6,601	6,626	6,526	6,643	6,652	6,665	6,571	6,572	6,498	6,504	6,528	6,511	6,575

.. September data not available
.. Commuter rail budget does not include 3 positions for Private Carrier area

100

To convert bodies to FTEs
--99 Bus
--37 Subway
--5 Other

FN 95HDCT

Appendix C - 2

MBTA Average Wages and Fringe Benefits FY94 - FY95

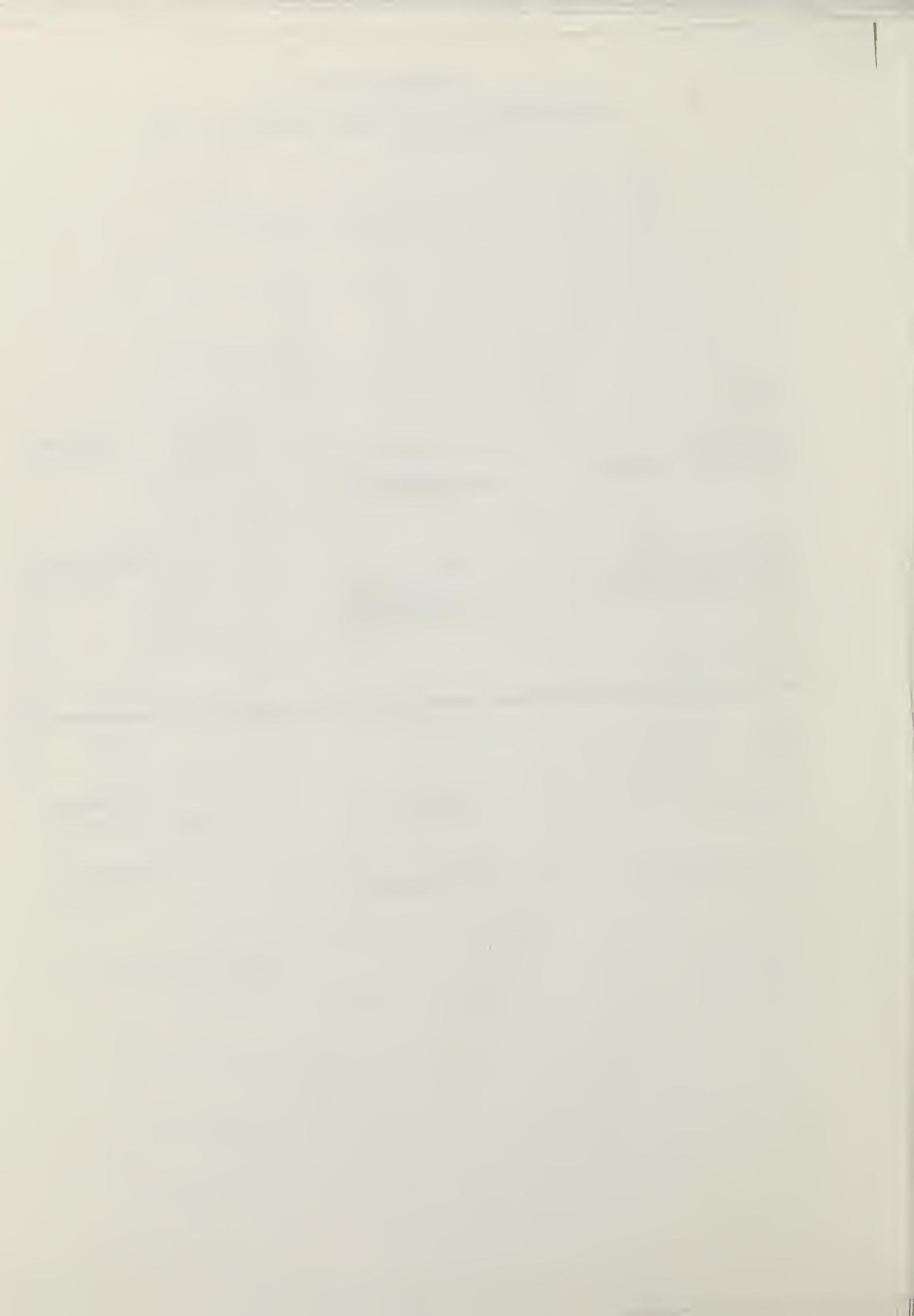
FY94

Total Wages	\$298,765,264	FTEs	Avg Wages
Less: FY92-93 Backpay	<u>(\$8,556,991)</u>	6558	\$44,253
	\$290,208,273		
Total Fringe Benefits	\$140,136,974		Avg Benefits
Less: FY92-93 FICA, etc	<u>(\$1,501,313)</u>		\$21,140
	\$138,635,661		

FY95

Total Wages	\$286,931,713	FTEs	Avg Wages
		6434	\$44,596
Total Fringe Benefits	\$129,549,064		Avg Benefits
			\$20,135

Fringe Benefit Savings 4.7%



Appendix D - 1

Capital Wages Adjusted

	Company 1 Total Year	Company 2 Total Year	FY94
Expenses			
Wages	267,614,832	37,597,395	wage
Pensions	36,645,691	9,3%	2,246,447
Health Ins	56,023,739	14.2%	3,426,912
Grp Life Ins	926,624	0.2%	48,405
Acc & Sick	512,566	0.1%	29,942
Workers' Comp	12,958,363	3.3%	795,236
Other Frng	-3,437,210	-0.9%	-185,012
FICA	21,434,996	5.4%	1,312,202
Unemployment	895,208	0.2%	55,901
Total Wages & FB	393,574,809	99.9%	FB
(uniforms)			
Direct wages	37,597,395		
Indirect wages	36,078		
	17,583,133		FY94
	19,978,184		Adjusted for
			FB w/1 Indirect wage
Wages	31,150,432	68.8%	
Pensions	4,104,278	9.1%	
Health Ins	6,267,154	13.8%	
Grp Life Ins	95,382	0.2%	
Acc & Sick	55,928	0.1%	
Workers' Comp	1,452,187	3.2%	
Other Frng	-359,268	-0.8%	
FICA	2,398,894	5.3%	
Unemployment	101,286	0.2%	

Appendix D - 2

Capital Wages Adjusted

	FY95 Year to Date Company 1 Period 12	FY95 Year to Date Company 2 Period 12	FY95 Year to Date FB w/i Indirect
Expenses			
Wages	238,107,551	69.0%	56,217,279
Pensions	31,572,677	9.2%	5,481,786
Health Ins	44,730,806	13.0%	5,620,293
Grp Life Ins	1,024,042	0.3%	128,646
Acc & Sick	499,264	0.1%	62,473
Workers' Comp	9,034,825	2.6%	1,184,611
Other Fing	175,524	0.1%	444,545
FICA	18,949,735	5.5%	2,288,607
Unemployment	852,844	0.2%	105,272
Total Oper Exp	344,947,267		416,480,779
direct wage (uniforms)		32,426,027	
indirect		35,216	
		23,756,037	
Wages	16,398,135		48,824,162
Pensions	2,174,366		7,656,152
Health Ins	3,080,548		8,700,841
Grp Life Ins	70,524		199,171
Acc & Sick	34,384		96,856
Workers' Comp	622,216		1,806,827
Other Fing	12,088		456,633
FICA	1,305,042		3,593,649
Unemployment	58,734		164,006
			71,498,297

Multi-Company Expenditure Summary: Materials, Supplies, Services, etc.

Materials, Services, etc.	Object Code	FY94 Co -1	FY94 Co -2	FY95 Co -1	FY95 Co -2
Fuel reg	611010100			(1,095)	
unleaded fuel	611010200	322,844		410,723	
Diesel fuel	611010300	5,012,441		4,779,526	
Antifreeze	611010400	87,710		69,828	
Lubricants	611010500	297,554		111,662	
Jet Fuel	611010600	107,152		1,436	
Tire Purchase	611020100	97,396		891	
Tire Rental	611020200	863,023		1,166,675	
Maintenance Items	611030100	8,418,700	1,998,623	9,789,904	14,341,699
Inventory Adj Obs	611040100	893,225		85,482	
Uniform rental	611050100	198,483		5,661	
Uniform purchase	611050200	214,930		36,758	
Uniform Cleaning	611050300	598		406,473	
Remsg Component	611060100			(2,618,118)	
????	612010000			(3,700,600)	
????	612010000	1,327			
Supplies Office	612010100	230,166	147,380	646,731	801,889
Supplies Computer	612010200	258,954	116,116	256,753	1,234
Supplies Photo/Art	612010300	50,176	4,794	72,620	36,242
Supplies Copy Mac	612010400	140,986		137,945	394
Bottled Water	612010500	50,027	982	10,000	831
Supplies Cleaning	612010600	26,548		13,355	
Supplies Mrchds	612010700	30,186		(26,995)	
Equipment Computer	612020100	68,819	4,240,540	(309,427)	1,386,335
Equipment Tools	612020200	1,029,011	22,418	1,140,972	2,676
Equipment Computer Parts	612020300	11,428,266	357,810	10,694,003	889,086
Equipment Office	612020400	236,396	278,567	154,982	208,613
FRNTR Office	612020500	546	78,206	3,940	
Equipment Land/Capt	612020600	1,683	28,077,579	5,009	212,769,030
Tokens	612030100	194,612		12,418	57
Passes/Tickets	612030200	320,521		446,237	2,835
Supplies Maint	612040100	688,343	22,488	786,825	9,038
Supplies Other	612050100	139,066	65,951	854,599	260,397
Service Mgt Copying	613010100	79,498	46,188	66,767	61,390
MGMT CMMSSN Fee	613010200	2,442		2,496	107
Service Construct Eng	613020000	1,049,932	122,346,091	280,193	236,037,074
Service Professional	613030000				251,776
Service Prf Actry	613030100	11,919	944,317	55,224	2,310,224
Service Adv Agency	613030200	204,781	135,520	303,471	437,666
Service Appraisal	613030300	126,800	400,980	107,221	369,012
Service Arbitrtr	613030400	177,717		27,105	2,900
Service Architectual	613030500	7,297	175,035	258	331,542
Service Audit	613030600	273,184	37,840	451,145	104,733
Service Computer	613030700	(2,682)	879,545	1,050,220	928,545
Service Engineer	613030800	875,761	28,591,336	478,778	29,196,665
Service FNCL	613030900	233,469	53,225	288,442	84,480

Appendix E

Multi-Company Expenditure Summary: Materials, Supplies, Services, etc.

Materials, Services, etc.	Object Code	FY94 Co -1	FY94 Co -2	FY95 Co -1	FY95 Co -2
Service FNCL INVTV	613031000	174,068		59,187	
Service LBR Neg	613031100	66,551		130,469	
Service Legal	613031200	2,361,244	2,008,632	2,416,444	1,296,383
Service MDCL	613031300	258,217		283,184	
Service PG/BPR	613031400	2,593		49,073	
Service Print/Film	613031500	401,481	85,347	573,720	78,384
Service Training	613031600	211,938	10,339	104,907	75,558
Service Research	613031700	7,275		2,200	
Temp Help Agencies	613040100	2,470,049	37,324	1,348,916	54,723
Student Interns	613040200	30,783		(20,093)	
Service MTN Cmptr	613050100	69,453	297,920	112,101	73,069
Repair/Maint Vehicle	613050200	436,426	7,434,918	398,280	77,258
Repair/Maint Equip	613050300	5,425,809	418,689	4,986,929	424,909
Repair Maint tool	613050400	36,471	240	45,070	
Maint Property	613050500	5,399,047	13,083	3,606,488	889,656
Service Copy Mach	613050600	173		1,752	
Clean facilities	613060100	2,650,442		5,993,062	
Clean Stations	613060200	3,130,789		556,084	
Clean Vehicles	613060300	1,170,937		1,292,917	
Rubbish removal	613060400	261,389		454,261	
Service Security	613070100	93,594		193,175	
Police Detail	613070200	(634,752)		(1,728,540)	
Service Library	613080100	21,883		39,026	
Interagency Agreemnt	613080200	124,694	527,250	204,075	1,195,202
Equipment Rental	613080300	186,095	77	293,338	1,234
Service Conversion	613080400	3,215,585		229,082	401,951
Traction Electricity	614010100	11,526,580		10,618,751	
Electricity	614020100	5,157,356	6,476	4,092,613	4,226
Gas	614020200	1,563,581		1,311,206	
Heating Oil	614020300	285,369		247,826	
Steam	614020400	42,779		37,892	
Telephone	614020500	3,304,255		3,650,900	
Water/Sewer	614020600	753,739	988	561,979	
Rent Vehicles	615010000	43,589	10,801	123,386	32,131
Rent Buildings	615020000	233,537	368,515	3,844,329	52,330
Rent MCHN TLS	615030000	433,087		364,544	
Rent other	615040000	272,304	42,267	307,777	2,015
Dues Subscriptions	616010000	71,853		95,449	
Travel Conf	616020100	39,048		37,778	16,195
Travel Out State	616020200	465,807	41,717	97,001	96,393
Travel In State	616020300	16,044	3,908	25,914	125,926
Tolls Bridges	616030100	131,487		(1,240)	
Tolls Tnnl	616030200	38,888		156,695	
Tolls Hgwy	616030300			6	
Bd debt Exp	616040000	1,050,000			
Licnsng Opr	616050100	3,795		17,047	
Lcnsng DPU	616050200	277		2,107	
	616050300	758			

Appendix E

Multi-Company Expenditure Summary: Materials, Supplies, Services, etc.

Postage	616060100	209,809	850	192,516	2,085
Messenger	616060200	8,780	16	4,380	12
Freight	616060300	43,790	5,950	91,068	4,946
MSC Parking	616060800	(250)	150	(2,738)	250
Trial Exp	616060400	41,136		63,542	
OVRTM meal/mls	616060500	2,632		2,828	
MSC Ind CSTS	616060700	200			
MSC EMPLEE Ass	616060900	13,000		13,000	
MSC Employe RCGNTN	616061000	300		2,723	
CDNG Spns	619999999	(650,468)		36,316	
Total		87,125,103	200,336,988	76,178,290	505,731,306

